

**UNITED STATES OF AMERICA
BEFORE THE
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY**

LAKE ERIE LINK LIMITED LIABILITY COMPANY)
) Docket No.PP-270
)

**APPLICATION OF LAKE ERIE LINK LIMITED LIABILITY COMPANY
FOR A PRESIDENTIAL PERMIT**

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Pursuant to Section 202(e) of the Federal Power Act, 16 U.S.C § 824(a)(e)(1994), Executive Order 10485, as amended by Executive Order 12038, and the U.S. Department of Energy (“DOE”), Office of Fossil Energy’s (“OFE”) administrative procedures (10 C.F.R. §205.320, *et seq.* (2000)), Lake Erie Link Limited Liability Company (“LEL LLC” or “Applicant”) hereby respectfully files this application for a Presidential Permit authorizing the construction, connection, operation, and maintenance of facilities for the transmission of electric energy at the international boundary between the United States (“U.S.”) and Canada, as more fully described herein (“Application”). In support of this Application, LEL LLC respectfully states as follows:

1.0 INFORMATION REGARDING THE APPLICANT

1.1 Legal Name of Applicant

The legal name of the Applicant is Lake Erie Link Limited Liability Company. LEL LLC is a limited liability company under the laws of Delaware having a principal place of business at 110 Turnpike Road, Suite 300, Westborough, Massachusetts 01581-2864. LEL LLC was formed to permit, construct, operate, and maintain the U.S. portion

of the Lake Erie Link Project (“LEL Project”).¹ LEL LLC is the entity that holds the authority granted by the Federal Energy Regulatory Commission (“FERC”) to sell transmission rights associated with the LEL Project.²

1.2 Legal Name of All Partners

LEL LLC has two members whose legal names are TransÉnergie U.S. Ltd. (“TEUS”) and Hydro One Delivery Services Inc. (“Hydro One Delivery”) (collectively, “Members”). TEUS is a corporation under the laws of Delaware having a principal place of business at 110 Turnpike Road, Suite 300, Westborough, Massachusetts 01581-2864. Hydro One Delivery is a corporation under the laws of the Province of Ontario, having a principal place of business at 483 Bay Street, Toronto, Ontario, M5G 2P5.

1.3 Communications and Correspondence

All communications and correspondence regarding this Application should be addressed to the following persons:

Michael D. Ernst, on behalf of
Lake Erie Link LLC
110 Turnpike Road, Suite 300
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¹ LEL LLC will be the entity selling transmission rights in the U.S., and will be the counter party to Transmission Rights Purchase Agreements (“TRPAs”) with customers covering the U.S. portion of LEL transmission rights. Lake Erie Link Partnership (“LEL LP”) will be selling transmission rights in Canada, and will be the counter party to TRPAs with customers covering the Canadian portion of LEL transmission rights. Lake Erie Link Company Inc. (“LELCORP”), a Canadian corporation incorporated under the laws of the Province of Ontario, Canada, is the general partner in the LEL LP, a limited partnership under the laws of the Province of Ontario, Canada.

² See *TransÉnergie U.S. Ltd. and Hydro One Delivery Services Inc.*, 98 FERC ¶ 61,147 (2002) (“FERC’s LEL Project Authorization”, attached hereto as Exhibit “A”). LEL LLC’s application in that proceeding is referred to herein as “LEL’s FERC Application”.

1.4 Foreign Ownership and Affiliations

LEL LLC. LEL LLC was formed by TEUS and Hydro One Delivery in order to permit, construct, operate, and maintain the U.S. portion of the LEL Project.

TEUS. TEUS is the U.S. transmission project development subsidiary of Hydro-Québec TransÉnergie (“TE”), the transmission division of Hydro-Québec (“HQ”). TEUS is in the business of developing independent transmission projects and has no captive customers in either the U.S. or Canada. HQ, a Crown corporation, is a utility with generation and transmission facilities located in the Province of Québec, Canada. HQ’s high voltage transmission system is independently managed and operated by TE, which is exclusively dedicated to transmission business. TE’s transmission business is functionally separated from HQ’s generation and marketing pursuant to a strict code of conduct, effecting the separation of functions substantially similar to that mandated for FERC jurisdictional electric utilities under FERC Order No. 889.³

Hydro One Delivery. Hydro One Delivery is a wholly-owned subsidiary of Hydro One Inc. (“Hydro One”), which was recently created in response to a restructuring of the electric utility industry in the Province of Ontario. Hydro One Delivery is in the business of electricity transmission with no captive customers in either the U.S. or Canada.

Prior to April 1, 1999, the generation, transmission and distribution of electricity in the Province of Ontario (the “Province”) were largely the responsibility of Ontario Hydro, an integrated electric utility owned by the Province. As of that date, the Province

³ *Open Access Same-Time Information Systems (Formerly Real-Time Information Networks) and Standards of Conduct*, Order No. 889, FERC Stats. & Regs. ¶31,035 (1996), *order on reh’g*, Order No. 889-A, FERC Stats. & Regs. ¶ 31,049 (1997) (“Order No. 889”).

divided Ontario Hydro's businesses and assets into a number of entities in preparation for the opening of the Ontario electricity market. The transmission and distribution assets of Ontario Hydro, covering most of the Province, were transferred to what is now Hydro One.⁴ Hydro One now operates as an independent for-profit company owned by the Province.

1.5 Existing Contracts with Foreign Governments or Foreign Private Concerns

The Applicant does not have any existing contracts with any foreign government, or any foreign private concerns, relating to any purchase, sale or delivery of electric energy. As indicated above, the Applicant was created through agreements with its Members. These agreements, however, do not relate to the purchase, sale, or delivery of electric energy. Any such contracts that may become effective in the future will be disclosed to the DOE.

1.6 Compliance with Law

As set forth in an opinion of counsel attached hereto as Exhibit "B", the construction, connection, operation, or maintenance of the proposed transmission facilities described herein is within the corporate powers of LEL LLC. Further, LEL LLC has complied with, or will comply with, all pertinent federal and state laws related to the construction, connection, operation, or maintenance of the proposed transmission facilities.

⁴ The Province also formed the non-profit Ontario Independent Electricity Market Operator ("Ontario IMO") to direct the operation of Ontario's transmission system, to provide non-discriminatory access to the system, and to establish and operate a competitive electricity market in the Province.

2.0 INFORMATION REGARDING THE TRANSMISSION FACILITIES

2.1 Overview

The LEL Project will consist of up to three underwater High Voltage Direct Current (“HVDC”) transmission systems under Lake Erie, each with a transfer capability of 325 megawatts (“MW”). The LEL Project will connect the control areas of the Ontario IMO with the control area of PJM Interconnection, LLC (“PJM”). In Ontario, the LEL will connect to the 230 kilovolt (“kV”) bulk power system at the Nanticoke switchyard. In the U.S., the LEL will connect to the 345 kV bulk power system at the Erie West substation in Springfield Township, Pennsylvania.

The LEL Project is exclusively a transmission system interconnection. The LEL Project does not include construction of any generation facilities in either country, nor is the LEL Project dedicated or directly connected to any particular generation facility in either country. LEL LLC will sell the rights to transmit electricity over the LEL Project through an “open season” bidding process approved in FERC’s LEL Project Authorization, attached hereto as Exhibit “A”. LEL LLC will not own or take title to the electrons that are transmitted over the LEL Project.

Although LEL’s FERC Application contemplated a possible separate cable system constructed to Ohio, that option is not part of this Application. LEL LLC has postponed further study of the Ohio cable system pending the results of the open season process. This Application proposes to construct cable systems exclusively to Pennsylvania.⁵

⁵ Depending on the results of the LEL open season, LEL LLC may determine to construct a cable system to Ohio. A cable system to Ohio would require additional field studies and analyses and would be the subject of a separate Presidential Permit application.

LEL LP is responsible for regulatory and environmental approvals for the Canadian portion of the LEL Project and has filed related documents with the National Energy Board (“NEB”) of Canada, which is the designated “responsible authority” for the Environmental Assessment pursuant to the Canadian Environmental Assessment Act. A copy of the initial NEB filing is attached hereto as Exhibit “C”.

Applications for U.S. federal, state and local approvals are being prepared for filing during summer 2002 for anticipated approvals by fall 2003. Construction will take approximately one year for an expected in-service date of as early as winter 2004-2005 or summer 2005. LEL LLC presently contemplates an in-service date of summer 2005 for the LEL Project. However, if LEL LLC decides upon a single HVDC cable system between Ontario and Pennsylvania, an earlier in-service date of winter 2004 will be considered.

2.2 Project Purpose

The purpose of the LEL Project is to develop a fully controllable, bi-directional electric transmission interconnection between Ontario and the U.S. to improve both the reliability of the North American power grid and the competitiveness of the respective electricity markets. By providing the first-ever direct connection between the Ontario and Pennsylvania power grids, the LEL Project will enhance system reliability on both sides of the border by establishing an additional path for power supplies to flow where they are needed. Additionally, the LEL Project will allow energy producers and consumers in either region a direct path to reach each other, leading to greater trade in electricity between Ontario and Pennsylvania and across the region. In approving the

LEL Project, the FERC concluded that the LEL Project can “expan[d] competitive generation alternatives for customers.”⁶ The Pennsylvania Public Utilities Commission intervened at FERC in support of the LEL Project, noting that it is “an important merchant transmission project serving as a gateway to additional capacity imports and exports into and out of the mid Atlantic region and as a merchant transmission project of the sort your Commission [FERC] has been inviting to address significant problems with lack of transmission investment by incumbent public utilities.”⁷

In particular, the LEL Project’s beneficial impact on the reliability of the Pennsylvania electric grid will be immediate and significant. The PJM electric grid typically experiences peak electrical demand during the summer months. During summer 2001, PJM issued two public pleas for electricity conservation and the Pennsylvania Electric Company directed interruptible customers to curtail their load. A copy of two PJM press releases is provided as Exhibit “D”. The LEL Project will provide a pathway for power imports in response to such peak period demands. In general, the LEL Project will permit imports and exports to increase competition in the electricity markets on both sides of Lake Erie.

The LEL Project also provides considerable reliability and market benefits to Ontario. The LEL Project is consistent with the Ontario government policy to deregulate the Ontario electricity market. On May 1, 2002, the Ontario electricity market was officially opened to competition. The LEL Project will increase opportunities for the competitive trade of electricity within the region. It will benefit Ontario customers by

⁶ See, Exhibit “A” at p.7.

⁷ See, Notice of Intervention and Comments of Pennsylvania Public Utility Commission, dated December 14, 2001 (at p. 4), in Docket No. ER02-406-000.

providing a dampening effect on price volatility within Ontario and by increasing supply, security and reliability with access to additional generation sources. The Ontario IMO, the non-profit market operator for the Province, has publicly indicated support for the LEL Project noting the reliability and market benefits as well as the opportunities to enhance interregional markets.⁸

2.3 Capacity

The LEL Project will provide a bi-directional total transfer capability of up to 975 MW between Ontario on the north side of Lake Erie, and Springfield Township, Pennsylvania on the south side. Each LEL HVDC transmission system will consist of several miles of buried land-based HVDC cables, approximately 68 miles of cable buried underwater in Lake Erie, and converter terminal facilities in Ontario and Pennsylvania.

The LEL Project's maximum transfer capability of 975 MW represents the total bi-directional transfer capability between Ontario and Pennsylvania for the three HVDC cable systems, with each system having a capacity of 325 MW. Depending on the results of the open season, the final LEL Project configuration will include one, two, or three HVDC system interconnections with Pennsylvania.

It is important to reiterate that the LEL Project is exclusively a transmission facility. The LEL Project's transmission capacity will not be dedicated or assigned to any particular generating resource. Rather, the characteristics of the power transmitted over the LEL Project will be determined by the dispatch of generating resources

⁸ See, Notice of Intervention and Comments of Ontario Independent Electricity Market Operator, dated December 20, 2001 (at p. 4), in Docket No. ER02-406-000.

conducted by PJM and the Ontario IMO based on their respective tariffs and market rules. Consequently, the power transmitted will be generated by a myriad of disparate sources and fuels.

Similarly, emissions from certain generating plants in the region cannot be attributed to the LEL Project. Since the LEL Project's capacity will not be ascribed to any particular generating source, and given the bid-based economic dispatch of generating resources in the region, the LEL Project's impact on air emissions – if any – cannot be easily quantified. Indeed, the multiple dispatch scenarios and diverse electricity generation resources located in the international airshed bridged by the LEL Project provide reason to believe that under many dispatch scenarios, the LEL Project could lead to a net reduction of emissions within that international airshed. The LEL Project's Environmental Report (to be provided in a subsequent filing) will provide information about the potential effect of the LEL Project on air emissions in the region.⁹

2.4 Burial Depth

The cable will be buried at a depth of approximately 6 feet below the lakebed for the majority of the route. Where the cable crosses other utilities (e.g., telecommunications, gas, etc.), the LEL Project will work with the owners of these

⁹ The LEL Project's Ontario converter station will be located close to the switchyard serving the Nanticoke Generating Station, owned by Ontario Power Generation ("OPG"). This interconnection point to the Hydro One Networks switchyard at Nanticoke was chosen to access a robust connection point to the Hydro One Networks grid while minimizing the distance necessary for a submarine cable crossing to Pennsylvania. This interconnection will not give dedicated access to the Nanticoke Generating Station, nor any other generation source. Although OPG's Nanticoke Generating Station is near the Canadian connection point of the LEL Project, it is in no way assured that OPG will be a successful bidder for the LEL Project transmission rights should OPG choose to bid, and many other sources may find attractive market opportunities. While Hydro One (including Hydro One Delivery) and OPG are both presently owned by the Ontario government, they are, in fact, distinct and separate companies in all respects with separate Boards of Directors, fully independent mandates, and completely separate operations.

facilities to ensure that both the existing facilities and the LEL Project's HVDC cable systems are appropriately protected and do not interfere with each other. For example, the LEL Project will work with the offshore Canadian gas-gathering system to schedule the closing and reconnection of those pipelines after the LEL cable is buried.

Directly offshore, the cable will be trenched about 3 feet into the bedrock. In shallow water beyond the near-shore bedrock, an increased burial depth of beyond 6 feet may be required to avoid the potential for anchor drag and ice scour impacts.

On land, the cable will be buried a minimum of 3 feet below grade, except where it is tunneled deeper under roadways, rail lines, and wetlands by horizontal directional drilling.

2.5 Cable and Supporting Equipment

Each LEL Project HVDC cable system will consist of a bundled pair of electric cables operating in bipolar mode between the converter stations. Each pair of LEL cables (i.e., each "cable system") will be rated to continuously transfer, in either direction, approximately 325 MW between Ontario and the Pennsylvania terminal (for a total transfer capability for all three cable systems of up to 975 MW). Thus, each cable system used under Lake Erie will consist of two solid dielectric copper cables, covered with a polymeric insulation over the conductor. Each cable also has armoring steel wires for added protection from anchors and ice scour. The diameter of each cable is approximately 100 mm (about 4 inches), for a total bundled "cable system" diameter of approximately 200 mm (about 8 inches). A cross-section diagram of a HVDC cable is attached hereto as Exhibit "E".

All three cable systems will be buried across Lake Erie within a 900-meter wide study-corridor. Within this study-corridor, each cable system would be buried in a separate trench, with each trench separated by 50 to 100 feet. The proposed installation method is a two-phase operation. During the first phase, a vessel lays the cable system on the lake bottom using precision guidance equipment, carefully positioning the cable system in the approved corridor. During the second phase, a hydraulic jet plow tethered to the vessel hydraulically liquefies a trench. The cable system gently settles into the bottom of the trench. The installation of one cable system will take approximately eight weeks. A depiction of this construction process is attached hereto as Exhibit “F”.

The cable used for the 7-mile land route between the landfall and converter station(s) in Pennsylvania will consist of similar cables in one, two, or three systems buried under existing road shoulders. Two cable systems will be installed side by side in the same trench approximately three feet apart. Because of right of way space limitations along the land route, the third cable system would be installed on the opposite side of the road. The installation of one cable system will take approximately 4 weeks to complete.

Each cable system requires an AC/DC converter station at each end to permit interconnection with the existing Ontario and PJM grids. The Pennsylvania converter station(s) will be located within a 43-acre largely wooded lot, in Springfield Township, Pennsylvania, adjacent to the existing Erie West substation. The conversion equipment for each cable system will be housed in a warehouse-like building, approximately 300 by 90 feet, with an elevation from floor to roof peak of 36 feet. Outside equipment will include transformers, cooling towers, electrical equipment, transmission towers, access

driveway and security fencing. Each converter station will require about 2 acres of land and will take about 9 months to construct.

2.6 Cathodic Protection

Cathodic protection is not required, either on land or within the lake, for this type of cable installation because of the bipolar direct current cable system design, including each cable's outer seal. *See* Exhibit "E" attached hereto.

2.7 Maps

A combined general area map and detailed map showing the physical location (longitude and latitude) and ownership of the facilities on the international border is attached hereto as Exhibit "G".

2.8 Bulk Power System Information

Expected Power Capability

Each cable system will be rated at 325 MW for winter and summer normal and short-term emergency conditions.

System Power Flow Plots

LEL LLC is working with PJM to produce a system power flow plot for 2004. LEL LLC expects the system power flow representations to demonstrate that the LEL Project will provide system operators with another new facility to assist in the management of loop (or parallel) flows on the alternating current ("AC") system around Lake Erie. Historically, power flows over the existing AC ties between Ontario and

Michigan and Ontario and New York have been subject to a phenomenon known as the Lake Erie Circulation. Since power flowing in an AC system follows the laws of physics (rather than the commercial or legal terms agreed upon in contracts), large transfers of energy from Ontario to New York and other Eastern Seaboard load centers result in unintended or “loop” flows of power over other interfaces surrounding Lake Erie. For example, power sales from Ontario into New York do not all typically flow over the New York/Ontario tie – a portion of this power flows in a counter-clockwise manner around Lake Erie, through the Ontario-Michigan tie and across the Ohio and Pennsylvania systems into New York. This phenomenon is expected in any free-flowing AC transmission system. In order to provide partial control of this loop flow, sophisticated and expensive devices known as phase shifting transformers have been installed on the Ontario-Michigan border. By providing a fully controllable HVDC intertie, the LEL Project will provide system operators on both sides of the Lake with another means to better manage the interconnected grid.

Line Design Features Preventing TV and Radio Interference

Each 325 MW HVDC transmission cable system will consist of a pair of HVDC cables installed in the same trench or conduit. The cables will operate at equal and opposite DC polarity (± 150 kV) and will carry equal and opposite current. This installation and operational arrangement results in virtually no magnetic fields for the cable system due to the canceling effects of the equal and opposite current in each cable system. Furthermore, the shielded design of the HVDC cable eliminates electrostatic

fields. As a result, there will be no radio or television interference resulting from the HVDC cable system.

The HVDC converter station(s) will be designed such that radiated emissions from the station(s) shall not exceed the levels in the interference design criterion set forth in ANSI C63.12-100 (American National Standard Recommended Practice for Electromagnetic Compatibility Limits).

Relay Protection Scheme

The HVDC cable system(s) will be protected by redundant high-speed voltage and current differential systems at the converter stations. The HVDC cable system(s) will be isolated from the connected AC networks in less than 100 milliseconds following a HVDC cable system fault.

AC bus and related equipment will be protected by redundant high-speed bus and transformer differential detection systems with back-up overcurrent protection. Protection on the AC interconnection facilities will be designed in accordance with the requirements of the interconnected utility. Details of the interconnection protection and control will not be available until the local utilities and independent system operators have completed the interconnection design as part of the LEL Project facility studies.

Maintenance of Existing System Within Acceptable Voltage, Loading and Stability Limits

Confirmation of the LEL Project's lack of an adverse impact on system reliability will be demonstrated by the system impact studies discussed below and through compliance with the requirements of regional reliability councils and interconnecting utilities.

PJM has performed a transmission system feasibility study in connection with the LEL Project to identify the system upgrades that will be necessary to maintain the existing system within acceptable voltage, loading and stability limits during normal and emergency conditions. The Ontario IMO has conducted a system impact assessment on the Canadian side. Preliminary indications from the PJM study and final results from the IMO study demonstrates that, after completion of certain identified system upgrades, the LEL Project will not adversely impact the reliability of the transmission system. *See* Exhibits “H” and “T” attached hereto.

3.0 INFORMATION REGARDING POTENTIAL ENVIRONMENTAL IMPACTS

3.1 Statement of the Environmental Impacts

A statement of the environmental impacts of the proposed facilities will be provided in the Environmental Report in a subsequent filing. The Environmental Report will identify the impacts of constructing, connecting, operating, and maintaining the proposed facilities, including identification as appropriate of floodplains, wetlands, critical wildlife habitats, navigable waterway crossings, Indian lands, or historic sites which may be affected by the proposed facilities.

3.2 Historic Places

A Phase I cultural resource investigation has been conducted for both the in-water and on-land portions of the LEL Project, and will be addressed in the Environmental Report. That investigation identified no historic places eligible for the National Register of Historic Places that will be affected by the proposed LEL Project. That finding is

currently under review by the Pennsylvania Historical and Museum Commission, Bureau for Historic Preservation.

3.3 Minimum Rights-of-Way for Construction, Operation, and Maintenance of the Transmission Lines

The HVDC cable system(s) will be in the public right-of-way of Holliday Road and Route 215 in Springfield Township, Pennsylvania, for virtually all of the distance from Lake Erie to the converter station(s). Temporary workspace will be negotiated for the cable splice pits and openings for horizontal directional drilling (“HDD”) under roadways and wetlands along the upland cable route. HDD of the I-90 interchange may involve traversing private property. If required to accommodate the HDD, the LEL Project may obtain a 40-foot temporary construction easement and a 20-foot permanent easement for approximately 2000 feet through these properties. In addition, easements of the same width may be required across private property for the 1000-foot interconnection to the Erie West Substation. The rationale for the proposed minimum rights-of-way widths will be addressed in Applicant’s Environmental Report.

3.4 Threatened or Endangered Wildlife or Plant Life

The U.S. Fish and Wildlife Service, National Marine Fisheries Service and Pennsylvania Fish and Boat Commission have determined that no known threatened or endangered wildlife or plant life or critical habitat are located within the LEL Project

impact area in Lake Erie or on U.S. land.¹⁰ This issue will be further discussed in the Environmental Report.

3.5 Community Outreach

Representatives of LEL LLC have met with over 100 local, county and state officials and community groups and organizations on numerous occasions. On December 5, 2001, LEL LLC held an Open House in Springfield Township, Pennsylvania to provide residents of the area and the public in general an opportunity for questions and comments on the LEL Project. These meetings and comments have provided valuable input to guide field studies and LEL Project design. In addition, LEL LLC has signed a Host Community Agreement with Springfield Township, Erie County and the Northwestern School District Board.

4.0 DESCRIPTION OF ALTERNATIVES

Several alternatives to the LEL Project were considered during early project development and design. A detailed discussion will be provided in the Environmental Report. After initial environmental analysis and input from state and local officials, the proposed routes and sites for the LEL Project, as described herein, were selected as the alternative that meets LEL Project design goals, including maintaining system reliability and minimally impacting the community and environment.

¹⁰ See, Letters to Michael Weinstein of TRC Environmental Corporation from: (1) U.S. Department of Commerce, National Marine Fisheries Service, dated February 11, 2002; (2) U.S. Department of the Interior, Fish and Wildlife Service, dated March 6, 2002; and (3) the Commonwealth of Pennsylvania Fish & Boat Commission, dated April 9, 2002, to be included in Applicant's Environmental Report.

5.0 FEDERAL, STATE & LOCAL APPROVALS

A summary of all anticipated federal, state and local approvals is provided in Exhibit “J” attached hereto.

6.0 EXHIBITS

The following exhibits are included:

Exhibit A	FERC Order on LEL Project
Exhibit B	Opinion of Counsel
Exhibit C	Hydro One NEB Filing
Exhibit D	PJM Press Releases of Extremely High Demand
Exhibit E	Diagram of HVDC Cable
Exhibit F	Depiction of Submarine Cable Burial
Exhibit G	Project Area Maps
Exhibit H	PJM Feasibility Study
Exhibit I	Ontario IMO System Impact Assessment
Exhibit J	Federal, State & Local Approvals Chart

WHEREFORE, LEL LLC respectfully requests that the DOE issue to LEL LLC a Presidential Permit authorizing the construction, connection, operation, and maintenance of the facilities described herein for the transmission of electric energy at the international boundary between the U.S. and Canada.

Respectfully submitted,

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June 18, 2002